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House Dilutes Trade Remedies Bill

Before leaving for the Fourth of July recess, the House of Representatives weakened the controversial trade remedies legislation introduced by Rep. Sam Gibbons (D, Florida) by eliminating its industrial targeting section. The bill was removed from the House agenda late in its final working day before the recess, casting doubts about its prospects for approval.

H.R. 4784 has faced a bumpy road through the House. Disputes delayed its drafting until well into 1983. Progress since then has come in spurts. After a lengthy markup session in the international trade subcommittee, the full Ways and Means Committee swiftly approved the measure, leading to speculation that it would advance quickly through the House and then the Senate.

The most recent developments suggest otherwise, however. The bill had been placed on the list of measures to be considered by the House membership during the week of June 25, but was delayed when labor interests urged

Labor and industry testimony presented even grimmer scenarios if the government does not implement a coordinated policy to foster this vital sector. Again concentrating on market access disparities, their estimates of import growth ranged from 300 to 500 percent, while export growth is projected to be only around 50 percent. Wayne Weeks of AT&T Technologies urged Congress to act to force America's partners to open up their markets, though he shied away from advocating protectionist measures. An industry observer claimed that the disparity in market size caused by unequal access would give foreign competitors an edge in the fiercely competitive U.S. market, making it possible for them to gain a foothold with low-end products and move into more lucrative lines. The industry believes that it is necessary to formulate a coherent approach to promoting American business from a global perspective -- a perspective ignored when the AT&T divestiture plans were made. Labor's witness was harsh when it came to America's trading partners, demanding that international trade guidelines be adhered to on penalty of retaliatory actions by the United States.

In sum, American concern over unequal access was made abundantly clear, though the severity of the consequences is still open to debate. The administration held up Japan's liberalization moves as a significant achievement and expressed optimism on American prospects in the world's second-largest telecommunications market. Pessimism prevailed, however, vis-a-vis prospects in the European market, though administration spokesmen held out some hope for concluding bilateral agreements with Europe's national monopolies similar to the U.S.-NTT purchasing pact.

There appears to be a building tide of sentiment against protectionist bills concerning automobile trade. The prospects for Senator Danforth's telecommunications tariff bill (see JEI Report No. 19B, May 11, 1984) on the other hand, brightened somewhat, as the majority of witnesses, including administration envoys, were supportive in varying degrees. Successful implementation of Japan's liberalization plans could serve as a powerful argument against such moves.

Jon Choy

Japan's Steel Mills Face No-Win Situation on Coal Imports

As the top foreign suppliers of steel to the American market, Japanese steel manufacturers are no strangers to the politicization of trade issues in the United States, particularly in election years. What is new is the latest target of this process: the mills' coking coal purchases. With U.S. exports of coking coal this year not even expected to match 1983's scaled-back level, Japan's steel industry has come under increasing fire from the Congress, the Reagan administration and U.S. coal exporters for trimming purchases at a time when the bilateral trade deficit is ballooning. Coal-state congressional members have been particularly blunt about the linkage, but domestic producers pulled no punches in their May meetings with Japanese coal users (see JEI Report No. 21B, June 1, 1984). Steel companies must buy more U.S. coal as well as assure American suppliers their "traditional" one-third share of the imported coal market in Japan to forestall congressional action on the sale of Japanese products here, they warned.

Japan's Imports of Coking Coal, 1973-83

(in metric tons)

	Total		United States		Australia		Canada	
	Volume	Share	Volume	Share	Volume	Share	Volume	Share
1973	55,823,013	100.0%	16,538,488	29.6%	24,913,519	44.6%	10,320,726	18.5%
1974	62,452,157	100.0	25,400,045	40.7	22,799,745	36.5	9,568,868	15.3
1975	60,706,004	100.0	22,418,454	36.9	22,787,095	37.5	10,664,564	17.6
1976	59,123,306	100.0	17,455,345	29.5	26,040,316	44.0	10,296,612	17.4
1977	58,472,029	100.0	15,178,559	26.0	26,013,120	44.5	10,763,154	18.4
1978	50,100,613	100.0	8,869,016	17.7	24,492,041	48.9	9,715,180	19.4
1979	56,117,887	100.0	13,524,687	24.1	26,038,530	46.4	10,463,815	18.6
1980	61,816,041	100.0	19,234,136	31.1	25,781,882	41.7	10,581,454	17.1
1981	65,756,719	100.0	21,571,389	32.8	29,128,313	44.3	9,553,911	14.5
1982	64,870,265	100.0	23,909,734	36.9	25,406,479	39.2	9,536,011	14.7
1983	59,833,943	100.0	14,717,058	24.6	28,175,361	47.1	10,261,228	17.1

Source: Japan Tariff Association, Japan Exports and Imports: Commodity by Country

At first glance, the U.S. push for a fixed share of Japan's imported coking coal market is a more realistic approach to the coal trade problem than the parallel call for increased purchases since it accomodates changing production requirements in the steel industry. The drawback of this campaign is the market share claimed by American exporters. At different times over the past eleven years, U.S. coal has accounted for one-third or more of Japan's imports (see accompanying table). Each time, though, a special set of factors helped U.S. coal win an above-average market share. In 1981, for example, Japanese steel mills significantly expanded their spot purchases of American coal to make up for shortfalls in Australian shipments of 10 to 30 percent of contracted amounts. Assuming that mine strikes and port delays would keep on disrupting deliveries from their top supplier, steel makers continued to buy large volumes of U.S. spot-market coal in the first part of 1982. Coming on top of coal bought under short-term contracts, these purchases swelled the U.S. share of Japan's coking coal imports.

Whether or not U.S. coal companies can rightfully claim one-third of the import market, Japanese steel mills are saddled with a no-win situation. Bowing to U.S. demands for increased purchases means cutting imports from other suppliers since steel production this year is expected to remain stuck around the 100 million metric ton level. The mills have some room to reduce deliveries under their long-term contracts with older mines in Australia and Canada, although such a step would further strain relations with suppliers already angry about the price cuts they have been forced to absorb. Japanese steel executives claim, though, that they must take the increasingly large volumes of coal they contracted to buy from new Australian and Canadian mines. Many of these mines, it is pointed out, used their Japanese contracts to obtain project financing, while some were developed with Japanese capital.

The fact that Japanese steel makers are overcommitted to Australian and Canadian coal producers elicits no sympathy among U.S. coal industry representatives. The mills will somehow have to juggle their purchases, they say, noting that Japanese steel producers rarely take all of their commitments from American mines. Arguments that U.S. coal is more expensive than supplies from other sources also get short shrift. If steel manufacturers had concluded long-term contracts with American mines like they did with Australian and Canadian coal companies, spokesmen maintain, U.S. coal would be more competitive. In any case, they add, this is the price Japan must pay to accomodate its top trading partner.

Susan MacKnight

June Exchange-Market Report

For anyone concerned with the competitiveness of U.S. manufactured goods relative to Japanese-made products, June brought more dismal news as the yen sank in value against the U.S. dollar. Measured by the median interbank rate on the Tokyo exchange spot market, the yen fell by 2.5 percent during the month, from Y231.5=$1 on May 31 to Y237.5 on June 29, the final trading days of the two months. Hovering in a range of Y230-Y232 during the first half of the month, the slide against the dollar occurred in the final two weeks, stabilizing at around Y237 after June 25. This marked the yen's lowest value